

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: September 29, 2020

CAO File No. 0220-00540-1486

Council File No. 19-1227

Council District: 3

To: The Mayor
The Council

From: *Yolanda Chavez*
for Richard H. Llewellyn, Jr., City Administrative Officer

Reference: Housing and Community Investment Department transmittal dated August 27, 2020; Received by the City Administrative Officer on September 10, 2020, Additional Information Received through September 17, 2020

Subject: **REQUEST FOR AUTHORITY TO ISSUE TAX-EXEMPT MULTIFAMILY CONDUIT REVENUE BONDS IN AN AMOUNT UP TO \$9,646,426 FOR THE RESEDA THEATER SENIOR HOUSING, A SUPPORTIVE HOUSING PROJECT**

RECOMMENDATIONS

That the Council, subject to the approval of the Mayor:

1. Note and file the Housing and Community Investment Department (HCID) transmittal dated August 27, 2020 (Report) relative to the issuance of tax-exempt multifamily conduit revenue bonds for the Reseda Theater Senior Housing Project;
2. Adopt the Resolution attached to the HCID Report, authorizing the issuance of up to \$9,646,426 in tax-exempt multifamily conduit revenue bonds for the Reseda Theater Senior Housing Project; and,
3. Authorize the General Manager of the HCID, or designee, to:
 - a. Negotiate and execute the relevant bond documents for the Reseda Theater Senior Housing Project, subject to the approval of the City Attorney as to form; and,
 - b. Negotiate and reduce, if necessary, the interest rate of the Reseda Theater Senior Housing Project's Proposition HHH Supportive Housing loan of \$4,060,000 from 3.0 percent to a 1.0 percent simple interest rate.
4. Require that R4 Capital Funding LLC, fulfill the reporting requirements of the Responsible Banking Ordinance adopted by the Council on May 25, 2012 (C.F. 09-0234) prior to the execution of the relevant bond documents.

SUMMARY

The Housing and Community Investment Department (HCID) requests authority to issue tax-exempt multifamily housing conduit revenue bonds in an amount not to exceed \$9,646,426 to finance the construction of the affordable housing development known as the Reseda Theater Senior Housing Project (Project). The Project will consist of the new construction of 25 units of supportive housing for seniors experiences homelessness, and one unrestricted manager unit. The subject site is located at 7221 Canby Avenue, Los Angeles, CA 91335 in Council District Three. The California Debt Limit Allocation Committee (CDLAC) awarded the tax-exempt bond allocation for the Project to the City on April 14, 2020 in an amount not to exceed \$9,646,426 and designated an October 13, 2020 issuance deadline. The CLDAC recently awarded an automatic extension for projects awarded allocations on April 14, 2020 and designated December 1, 2020 as the new issuance deadline.

The HCID is also requesting authority to negotiate and reduce, if necessary, the interest rate of the Project's Proposition HHH loan of \$4,060,000 from three percent to a one percent simple interest rate. On June 29, 2018, the Council and Mayor approved amendments to the 2018-19 Proposition HHH Regulations (C.F. 17-0090-S8) that permit HCID to decrease the interest rate up to two percent in cases where the equity investor's capital accounts are negative, and/or other demonstrated adverse financial condition(s) are present. The HCID reports that the Proposition HHH funds represent 22 percent of the total development cost, and a reduction in the interest rate could significantly benefit the Project. This Office concurs with the recommendations of the Department.

The City's involvement in the issuance of tax-exempt, multifamily housing conduit revenue bonds is considered true conduit financing, in which the obligation for repayment of the bonds is the responsibility of Reseda Theater Senior Housing, L.P. and the City bears no financial responsibility for repayment as the issuer. There will be no impact to the General Fund. The financing is consistent with City policies regarding conduit financing.

The Council adopted a Responsible Banking Ordinance (RBO) in May 2012 (C.F. 09-0234 and C.F. 09-0234-S1). The purpose of the RBO is to create a social investment policy that reflects the community's priorities and acts as a tool when seeking financial services. R4 Capital Funding LLC (R4 Capital) is not currently in compliance with the reporting requirements of the RBO and HCID will require that R4 Capital adheres to requirements of the RBO prior to execution of the relevant bond documents. Since the City acts only as a conduit issuer in these bond transactions and has no financial interest, the selection of the bank does not constitute City business.

FISCAL IMPACT STATEMENT

There will be no impact to the General Fund as a result of the issuance of these tax-exempt multifamily conduit revenue bonds (bonds) for the Reseda Theater Senior Housing Project (Project). The City is a conduit issuer and does not incur liability for the repayment of the bonds, which are a limited obligation payable solely from the revenues of the Project, and the City will in no way be obligated to make payments on the bonds.

FINANCIAL POLICIES STATEMENT

The recommendations in this report comply with the City's Financial Policies.

DEBT IMPACT STATEMENT

There is no debt impact as these bonds are a conduit issuance debt and not a debt of the City.

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